

- ◇ Copper feeder
- ◇ Poles
- ◇ Pair gain devices (Digital Loop Carrier)
- ◇ Land, building, and power for pair gain devices
- ◇ Rights-of-way
- **Distribution Plant**
 - ◇ Copper distribution
 - ◇ Fiber distribution
 - ◇ Coax distribution
 - ◇ Poles
 - ◇ Cross connect devices
 - ◇ Rights-of-way
- **Drop**
 - ◇ Copper drop
 - ◇ Coax drop
 - ◇ Fiber drop
 - ◇ Building entrance cable
 - ◇ Intrabuilding cable
 - ◇ Network Interface Devices

Incremental investment should not include obsolete items, such as air dryers, copper analog repeaters, or bridge taps.

Unbundled Switching:

- **Line Termination**
 - ◇ Line Card
 - ◇ Main Distribution Frame
 - ◇ Protection
- **Central Processing Units**
- **Memory**
- **Line-side traffic sensitive investment**
- **Trunk-side traffic sensitive investment**
- **Network matrix**
- **Remote switches**
- **Host-remote umbilicals**
- **Land, building, and power for central offices and remotes**
- **Software essential for basic exchange and interexchange switching functions**
- **Generic upgrades**

Unbundled Transport:

- Fiber cable
- Fiber repeaters
- Fiber tip cable
- Fiber patch panels
- Fiber optic terminals
- DSX3 cross connects
- M1/3 multiplexers
- DSX1 cross connects
- Conduit
- Poles
- Rights-of-way

TSLRIC Incremental Annual Charge Factor:

The following expense items are typically included in an incremental study.

- Maintenance
- Depreciation
- Customer service
- Income taxes
- Property taxes
- Return on investment, including equity

Specifically excluded from an incremental study are corporate overheads and administrative expenses which are not directly attributable to individual services.

RATIO OF CORPORATE OVERHEADS TO TOTAL OPERATING EXPENSES
ARMIS Data - Tier 1 Companies

	1991			1992			1993			1994			1995		
	Corporate Overhead Expenses	Total Operating Expenses	Ratio*	Corporate Overhead Expenses	Total Operating Expenses	Ratio*	Corporate Overhead Expenses	Total Operating Expenses	Ratio*	Corporate Overhead Expenses	Total Operating Expenses	Ratio*	Corporate Overhead Expenses	Total Operating Expenses	Ratio*
Ameritech	1,314,805	7,063,208	22.87%	1,284,876	7,360,682	21.15%	934,644	7,331,170	14.61%	1,478,940	8,279,600	21.75%	878,030	7,598,375	13.07%
Bell Atlantic	1,220,574	8,061,694	17.84%	1,027,164	8,112,080	14.50%	1,101,639	8,333,481	15.23%	997,129	8,485,636	13.32%	1,208,887	8,790,583	15.94%
Bell South	1,140,644	8,891,939	14.72%	1,048,412	8,847,592	13.44%	1,155,680	9,198,056	14.37%	1,189,185	9,640,790	14.21%	1,525,860	10,171,221	17.65%
NYNEX	1,937,420	9,104,636	27.03%	1,208,433	8,241,179	17.18%	1,381,556	8,825,324	18.56%	2,180,908	9,867,801	28.37%	1,832,481	9,657,611	23.42%
Pacific	1,055,521	6,481,988	19.42%	944,442	6,380,349	17.37%	1,200,885	6,628,859	22.13%	1,011,208	6,521,201	18.35%	1,352,889	6,885,400	24.41%
Southwestern	867,645	5,341,202	19.39%	832,652	5,547,194	17.66%	966,125	5,876,145	19.68%	731,204	6,016,569	13.83%	817,736	6,350,532	14.78%
US West	1,100,013	5,946,384	22.70%	1,062,467	6,209,559	20.64%	1,132,189	6,573,561	20.81%	1,141,755	7,105,246	19.15%	1,105,802	7,387,372	17.66%
Total RBOCs	8,636,422	50,901,049	20.43%	7,408,446	50,698,625	17.11%	7,872,708	52,764,405	17.54%	8,740,329	55,916,863	18.53%	8,721,495	56,831,094	18.13%
GTE / Centel	1,221,896	7,834,634	18.48%	1,277,670	7,924,074	19.22%	1,414,340	8,387,468	20.28%	1,469,353	8,528,490	20.81%	1,651,765	8,980,302	22.54%
United / Centel	317,400	2,152,851	17.29%	399,258	2,514,942	18.87%	502,364	2,955,988	20.47%	498,799	3,165,855	18.70%	442,999	3,078,967	16.81%
Cincinnati Bell	91,888	452,972	25.45%	83,754	433,737	23.93%	94,232	420,258	28.90%	99,884	451,395	28.42%	166,442	507,003	48.87%
Lincoln	15,387	103,117	17.54%	15,657	104,894	17.55%	15,813	111,311	16.56%	16,696	121,127	15.99%	17,782	122,850	16.92%
Rochester	30,417	192,110	18.81%	28,911	193,986	17.51%	30,359	204,099	17.47%	44,621	213,102	26.48%	28,701	203,219	16.45%
Southern New England	159,771	1,075,662	17.44%	143,730	1,020,120	16.40%	148,210	1,074,840	15.99%	173,525	1,119,708	18.34%	256,833	1,212,935	26.86%
GRAND TOTAL	10,473,181	62,712,395	20.05%	9,357,426	62,890,378	17.48%	10,078,026	65,918,369	18.05%	11,043,207	69,516,540	18.89%	11,286,017	70,936,370	18.92%

* Ratio = Corporate Overhead Expenses / (Total Operating Expenses - Corporate Overhead Expenses)

Avoided Cost Study

Tennessee

United Telephone - Southeast, Inc.

**Regulatory Staff Support
Service Costing
April, 1996**

Avoided Cost Study

I. Study Summary

A. Purpose

The purpose of the study is to develop the avoided cost associated with the resale of local exchange service for the Tennessee jurisdiction of United Telephone - Southeast, Inc. (United). This study is being provided in response to the Tennessee Public Service Commission's Docket 96-00067, **THE AVOIDABLE COST OF PROVIDING BUNDLED SERVICES FOR RESALE BY LOCAL EXCHANGE TELEPHONE COMPANIES**, which was established for the "purpose of determining the actual level of avoidable cost" of providing bundled services for resale.

B. Scope

The cost results were developed specific for the Tennessee jurisdiction of United and will only be applicable for intralata company operations.

C. Introduction

The Tennessee Public Service Commission's Docket 96-00067, **THE AVOIDABLE COST OF PROVIDING BUNDLED SERVICES FOR RESALE BY LOCAL EXCHANGE TELEPHONE COMPANIES**, was established for the "purpose of determining the actual level of avoidable cost" of providing bundled services for resale.

The Telecommunications Act of 1996 (Act) states:

A State commission shall determine wholesale rates on the basis of retail rates charged to subscribers for the telecommunications service requested, excluding the portion thereof attributable to any marketing, billing, collection, and other costs that will be avoided by the local exchange carrier. (252(d)(3))

The avoided cost study was developed to meet the requirements of the Tennessee Public Service Commission's Docket utilizing the Act as a methodology guideline. The avoided cost study determines the level of avoided costs associated with establishing wholesale rates for the resale of bundled services. Since the Act specifically refers to "marketing, billing, collection, and other costs that will be avoided", the avoided cost study concentrates on those types of expenses. See Section , Methodology - Accounts Analysis, for a general discussion of that topic.

Avoided Cost Study

United believes that the identification of avoided cost should be based on the most recent data available that is identified through an Activity Based Costing procedure. United's avoided cost study utilizes an activity-based cost approach which identifies the avoided cost by cost category (subaccount) and assigns these cost to service groups, based on an activity driver. To the extent that a cost can be associated with an activity, an increase (or decrease) in the activity drives an increase (or decrease) in the associated service groups.

The avoided cost study uses the most recent expense and revenue data available. These revenues and expenses are assigned to a service group based on the actual activity which creates or drives a specific type of expense, rather than on arbitrary assignment methodologies based on investment or revenue.

D. Service Groups

In order to determine the level of avoided costs, it was necessary to consider that some services could have higher magnitudes of avoided costs. For example, a highly competitive or complementary service would most likely have a greater amount of marketing resources dedicated to it, resulting in relatively greater avoided costs. While there are numerous individual services provided by United, it is impractical to study each service individually. Two service groups are identified for this study which are:

1. Simple Access
2. Other

E. Assumptions

1. The year-end 1995 revenue and expense balances are the most current available and are considered appropriate for this study.
2. The analysis of Product Management, Sales, and Product Advertising costs was provided by the Marketing Department and is considered appropriate for this study.
3. The Local Message Processing (LMP) information provided by Accounting is considered appropriate for use in this study.
4. The special study provided by National Access Service Center (NASC) is considered appropriate for use in this study.
5. The monthly Billing Statistics Accounts Report is the most current available and is considered appropriate for use in this study. This report records billing activity by account, not access lines.

Avoided Cost Study

6. The March, 1996 Customer Information System Report was provided by the Regulatory Department and is considered appropriate for this study. This report counts accounts by class of service, and not by access lines.
7. The 1995 annual Business Office time and motion study is the most current report and is considered appropriate for this study.
8. The 1995 annual Business Service Center time and motion study is the most current report and is considered appropriate for this study.
9. The December, 1995 Station Data report was used for access line information and is considered appropriate for this study.

F. Methodology - Account Analysis

The following accounts do contain expenses which may be avoided due to resale. An analysis of each account was conducted which resulted in the determination that some subaccounts are avoided and some are non-avoided.

- 6611.XXX Product Management
- 6612.XXX Sales
- 6613.XXX Product Advertising
- 6623.XXX Customer Services
- 6722.XXX External Relations

These are the accounts detailed in the avoided cost study.

United believes that the identification of avoided cost should be based on the most recent expense and revenue data available that is identified through an Activity Based Costing procedure. These revenues and expenses are assigned to service groups based on the actual activity which creates or drives a specific type of expense, rather than on arbitrary assignment methodologies based on investment or revenue. To the extent that a cost can be associated with an activity, an increase (or decrease) in the activity drives an increase (or decrease) in the associated service groups.

The definition of avoided costs is, of course, the key to any such analysis. While the Act does not specifically identify or define avoided costs, it does give the proper direction. The Act indicates what type of expenses are avoided, specifically "marketing, billing, collection, and other costs." While this list is not all-inclusive, such expenses as depreciation, return and taxes, maintenance, support, corporate overheads, and uncollectibles are not avoided for the reasons described below. Each of these broad expense categories will be briefly discussed.

Depreciation (General Ledger (GL) accounts 6561 to 6565) relates directly to United's capital assets used to provide service to both its own customers and those of the reseller. The vast

Avoided Cost Study

majority of United's capital assets are used to provide the services that competitors wish to resell. A competitor reselling United's service will have no effect on the nature of these capital assets. United will continue to provide the physical facilities (switching, cable and wire, and circuit equipment) necessary to provide service to the reseller's customers as well as its own. Depreciation costs will not be avoided.

Rate of Return is a cost of doing business. Investors must earn a fair return on their investment or capital will not be available for the company. Return is directly related to the level of investment. Because there will be no effect on investment, there will be no effect on return. Rate of Return will not be avoided.

Taxes will not be avoided because United must still pay taxes on profits earned on services that it provides for resale. Because the avoided expenses will be used to determine wholesale rates the expense will be deducted on an expense dollar for revenue dollar basis, the net effect on profit is effectively zero and will have relatively no effect on taxes. Taxes will not be avoided.

United's maintenance costs (GL accounts 6211 to 6540) are related to the facilities used to provide the services that competitors will resell. Because United will continue to own these facilities, the maintenance functions will remain with United. The existence of a competitor reselling United services will not alter United's responsibility to maintain its network for the benefit of both its customers and those of the reseller. United will continue to repair, monitor, test, and maintain equipment, and meet all safety requirements. Maintenance costs will not be avoided.

Network Support costs (GL accounts 6112 to 6124) are common in nature, used to support all individual products and services offered by a company. Such costs cannot be attributed to any individual product or service. Network Support costs include the following items: motor vehicles, land and buildings, furniture, office equipment, and general purpose computers. These network support costs will not be avoided due to the resale of local services. Support costs will not be avoided.

Corporate overhead costs (GL accounts 6711 to 6790) are common costs that cannot be directly attributable to any individual product or service. Corporate overheads are not impacted by the sales method; therefore, these expenses will not be avoided.

Uncollectibles (GL account 5300) are avoided only if resellers are more timely in paying their bills to United than current end-users. United's uncollectible rate was only 0.50% in 1995. Uncollectibles from resellers may likely exceed this level and therefore, are not avoided.

G. Methodology - Work Sheets

A. Summary

Avoided Cost Study

The Summary worksheet is a one-page summary of the avoided cost study results. The worksheet identifies the total revenue per service group, as calculated in the Revenue worksheet, the total avoided expense per service group, as calculated in the Avoided Expense worksheet, the avoided expense as a percent of revenue and the avoided expense amount per access line.

B. Revenue

The Revenue worksheet assigns each individual 7-digit GL revenue account to one of the service groups. The information is for the twelve-month period ending December 1995.

The worksheet shows the total account amount for the time period studied. It also identifies the service group to which the account is assigned and the amount that is actually assigned.

C. Avoided Expense

The Expense worksheet assigns each individual 7-digit GL expense account to one of the service groups. The information is for the twelve-month period ending December 1995.

The worksheet shows the total account amount for the time period studied. The worksheet also identifies whether the account is avoided according to the guidelines provided by the Act and the amount assigned to each service group based upon the cost drivers developed in the Drivers worksheet.

D. Drivers

The Drivers worksheet contains the cost drivers used to assign expenses in the Expense worksheet. The worksheet identifies the GL expense account and references the worksheet where this driver was developed. The worksheet also references what percent will be assigned to each service group.

Three accounts are directly assigned to service groups. These are Product Advertising - Other Services (GL account 6613.044), Customer Services - Revenue Accounting - Miscellaneous Customer Billing (GL accounts 6623.64X), and Customer Services - Customer Instruction (GL account 6623.01XX).

E. Product Management (Prod. Mgmt.)

The Marketing Department performed an informed judgment analysis of the product management function. Based upon the results of this study, Product Management expenses (GL accounts 6611.XXX) are assigned to the Other service group.

Avoided Cost Study

F. Sales

The Marketing Department performed an analysis of the actual labor reporting associated with the sales function. Based upon the results of this labor reporting, Sales expenses (GL accounts 6612.XXX) were assigned to the Other service group.

G. Product Advertising (Prod. Adv.)

The Marketing Department performed a responsibility code analysis of the product advertising function. Based upon the results of this study, Product Advertising expenses (GL accounts 6613.XXX) were assigned to the appropriate service groups.

H. Local Message Processing (LMP)

The Local Message Processing system maintains a record of IXC errors and exceptions by type and carrier. Based upon the summary of this information, Customer Services - Centralized Toll Investigation expenses (GL accounts 6623.02X) were assigned to the Other service group.

I. National Access Services Center (NASC)

The NASC has replaced the Interexchange Carrier Services Center (ICSC). The NASC provided a special study which allows assignment of NASC activity to the Other service group.

J. Customer Perception Survey (CPS)

A Customer Perception Survey is conducted regularly and based on the number of contacts made and by type. Customer Services - Telephone Survey System expenses (GL accounts 6623.31X) were assigned to the Simple Access service group.

K. Billing Statistics (Bill.Stat.)

Customer Records and Billing (CRB) expenses were assigned to service groups utilizing the "Billing Statistics - Accounts" report and Customer Information System report. These reports record billing activity by account, not access lines. Customer Services - Centralized Mail Remittance expenses (GL accounts 6623.32X) and Customer Services - CRB expenses (GL accounts 6623.61X) are included in the CRB expenses.

L. Business Office Study (Bus. Off.)

An annual Business Office time and motion study is conducted by United. The most recent report (excluding non-regulated products) is used to assign Business Office Production - Incoming Demand - Consumer/Simple Business expenses (GL accounts 6623.41X) to the appropriate service groups.

Avoided Cost Study

M. Business Service Center (Bus. Svc. Cntr.)

An annual Business Service Center time and motion study is conducted by United. The most recent report (excluding non-regulated products) is used to assign Business Office Production - Incoming Demand - Complex Business expenses (GL accounts 6623.43X) to the Other service group.

N. Postage

This expense (GL account 6623.615) is caused primarily by monthly billings to end-users. The number of access related accounts from the Billing Statistics worksheet is multiplied by the bulk postage rate to determine the amount of local postage. This local postage is assigned to service groups based upon that number of billed accounts.

O. Lines

The Lines worksheet contains access line information used to assign End User - Business Flat Rate - Interstate revenue (GL account 5081.130) to service groups.

H. Wholesale Cost

This analysis considers only the current level of costs which will be avoided due to resale. The results here are properly viewed as an upper bound because there are areas of cost not addressed by this study. There will be additional costs incremental to the wholesale function. For example, a bill must be prepared and sent to the reseller, the amount of uncollectibles has not been determined. Such costs will have the effect of reducing the net level of avoided costs. The magnitude of these adjustments cannot be quantified at this time.

Avoided Cost Study

I. Results

AVOIDED COST STUDY SUMMARY

Company: United Telephone - Southeast, Inc.

Tennessee

Date: April 11, 1996

	Avoided Expenses			
	Revenue	Amount	Percent of Revenue	Per Access Line
Simple Access	\$ 43,037,763	\$ 2,049,915	4.76%	\$ 0.91
Other	\$ 46,433,170	\$ 3,338,360	7.19%	DNA

II. Work Sheets

Due to the proprietary nature of the work sheets with expense and revenue results by cost category and service group, the actual work sheets that support this study are not provided.

AVOIDED EXPENSE ANALYSIS

Company: United Telephone - Southeast (Tennessee)
Year: Twelve Months Ending December 1995

Account Number	Account Description	Amount	Avoided / Not Avoided	1 Simple Access	2 Other
6112	*MOTOR VEHICLE EXP	\$	N		
6113	*AIRCRAFT EXPENSE	\$	N		
6116	*OTHER WORK EQUIP EXP	\$	N		
6121	*LAND & BUILDING EXP	\$	N		
6122	*FURNITURE & ARTWORKS EXP	\$	N		
6123	*OFFICE EQUIP EXP	\$	N		
6124	*GEN PURPOSE COMPUTER EXP	\$	N		
6211	*ANALOG ELE. EXP	\$	N		
6212	*DIGITAL ELE. EXP	\$	N		
6215	*ELECTRO MECH. EXP	\$	N		
6220	*OPERATOR SYS. EXP	\$	N		
6231	*RADIO SYSTEMS EXP	\$	N		
6232	*CIRCUIT EQUIPMENT EXP	\$	N		
6311	*STA APPARATUS EXP	\$	N		
6341	*LPBX EXP	\$	N		
6351	*PUBLIC TELE TERMINAL EQ EXP	\$	N		
6362	*OTHER TERMINAL EQUIP EXP	\$	N		
6411	*POLE EXPENSE	\$	N		
6421	*AERIAL CABLE EXP	\$	N		
6422	*UNDERGROUND CABLE EXP	\$	N		
6423	*BURIED CABLE EXP	\$	N		
6424	*SUBMARINE CABLE EXP	\$	N		
6426	*INTRABLDG NETWORK CABLE EXP	\$	N		
6431	*AERIAL WIRE EXP	\$	N		
6441	*CONDUIT SYSTEMS EXP	\$	N		
6512	*PROVISIONING EXP	\$	N		
6531	*POWER EXPENSE	\$	N		
6532	*NETWORK ADMIN EXP	\$	N		
6533	*TESTING EXPENSE	\$	N		
6534	*PLANT OPER ADMIN EXP	\$	N		
6535	*ENGINEERING EXP	\$	N		
6561	*DEPRECIATION EXPENSE - TELECOM PLANT IN SERVICE	\$	N		
6563	*AMORTIZATION EXPENSE - TANGIBLE	\$	N		
6611011	*PRODUCT MGMT / MARKETING ADMIN - SAL - REG	\$	A		\$
6611012	*PRODUCT MGMT / MARKETING ADMIN - BEN - REG	\$	A		\$
6611014	*PRODUCT MGMT / MARKETING ADMIN - OTH - REG	\$	A		\$
6611016	*GENERAL SVC & LIC - PRODUCT MGMT / MARKETING ADMIN	\$	N		
6611017	*SERVICE COMPANY BILLING-CONDUIT-PROD MGMT/MKTG ADMIN	\$	N		
6611071	*PRODUCT MGMT-FORECASTING-OTHER-SALARIES	\$	N		
6611072	*PRODUCT MGMT-FORECASTING-OTHER-BENEFITS	\$	N		
6611074	*PRODUCT MGMT-FORECASTING-OTHER	\$	N		
6611986	*SERVICE COMPANY BILLING - PRODUCT MANAGEMENT - OTHER	\$	N		
6611987	*SERVICE COMPANY BILLING-CONDUIT-PROD MGMT-OTHER	\$	N		
6611988	*PRODUCT MGMT - OTHER - INTEGRATION COST	\$	N		
6612011	*SALES-REGULATED SALES & SERVICES-SALARIES-POOL	\$	A		\$
6612012	*SALES-REGULATED SALES & SERVICES-BENEFITS-POOL	\$	A		\$
6612014	*SALES-REGULATED SALES & SERVICES-OTHER-POOL	\$	A		\$
6612024	*SALES - ICSC - OTHER	\$	B		\$
6612031	*SALES - TELEMARKETING - IN HOUSE - SALARIES	\$	A		\$
6612032	*SALES - TELEMARKETING - IN HOUSE - BENEFITS	\$	A		\$
6612034	*SALES - TELEMARKETING - IN HOUSE - OTHER	\$	A		\$
6612041	*SALES - TELEMARKETING - CONTRACT - SALARIES	\$	A		\$

- Note 1 All cost categories (accounts) were reviewed at the seven digit account level. Only the four digit account level is shown for categories that do not contain avoided expenses.
- Note 2 Cost categories that contain expenses that are classified as both avoided (A) and non avoided (N) are shown with a B symbol.
- Note 3 Fields reflecting the \$ symbol represent an actual amount that is contained in the study.

AVOIDED EXPENSE ANALYSIS

Company: United Telephone - Southeast (Tennessee)
 Year: Twelve Months Ending December 1995

Account Number	Account Description	Amount	Avoided / Not Avoided	1	2
				Simple Access	Other
6612044	*SALES - TELEMARKETING - CONTRACT - OTHER	\$	A		\$
6612051	*SALES ADMINISTRATION - SALARIES	\$	N		
6612052	*SALES ADMINISTRATION - BENEFITS	\$	N		
6612054	*SALES ADMINISTRATION - OTHER	\$	N		
6612061	*GENERAL MANAGEMENT SUPPORT - BMO * SALARIES	\$	N		
6612062	*GENERAL MANAGEMENT SUPPORT - BMO * BENEFITS	\$	N		
6612064	*GENERAL MANAGEMENT SUPPORT - BMO * OTHER	\$	N		
6612321	*SALES - COMMISSIONS & INCENTIVE PAY	\$	A		\$
6612322	*SALES - COMM & INC PAY - BEN	\$	A		\$
6612324	*TRAVEL & ENTERTAINMENT - BMO	\$	A		\$
6612411	*ENGINEERING & PROJECT MGMT - BMO/ENG*SALARIES	\$	N		
6612412	*ENGINEERING & PROJECT MGMT - BMO/ENG*BENEFITS	\$	N		
6612414	*ENGINEERING & PROJECT MGMT - BMO/ENG*OTHER	\$	N		
6612511	*BRANCH MANAGEMENT - BMO * SALARIES	\$	N		
6612512	*BRANCH MANAGEMENT - BMO * BENEFITS	\$	N		
6612514	*BRANCH MANAGEMENT - BMO * OTHER	\$	N		
6612986	*SERVICE COMPANY BILLING - SALES	\$	N		
6612987	*SERVICE COMPNAY BILLING-CONDUIT-SALES	\$	N		
6613011	*PRODUCT ADV - STAFF SUPPORT FOR PRODUCT ADV - SALARIES	\$	A	\$	\$
6613012	*PRODUCT ADV - STAFF SUPPORT FOR PRODUCT ADV - BENEFITS	\$	A	\$	\$
6613014	*PRODUCT ADV - STAFF SUPPORT FOR PRODUCT ADV - OTHER	\$	A	\$	\$
6613024	*PRODUCT ADVERTISING - COMPLEX BUSINESS	\$	A		\$
6613034	*PRODUCT ADVERTISING - CONSUMER / SIMPLE BUS	\$	A	\$	\$
6613044	*PRODUCT ADVERTISING - OTHER SERVICES	\$	A		\$
6613086	*SERVICE COMPANY BILLING - PRODUCT ADVERTISING	\$	N		
6621	*CALL COMPLETION SERVICES	\$	N		
6622	*NUMBER SERVICES	\$	N		
6623011	*CUSTOMER SERVICES - CUSTOMER INSTRUCTION - SALARY	\$	A		\$
6623012	*CUSTOMER SERVICES - CUSTOMER INSTRUCTION - BENEFITS	\$	A		\$
6623014	*CUSTOMER SERVICES - CUSTOMER INSTRUCTION - OTHER	\$	A		\$
6623016	*SERVICE COMPANY BILLING - CUSTOMER INSTRUCTION	\$	N		
6623021	*CUSTOMER SERVICES-CENTRALIZED TOLL INVESTIGATION- SALARY	\$	A		\$
6623022	*CUSTOMER SERVICES-CENTRALIZED TOLL INVESTIGATION- BENEFI	\$	A		\$
6623024	*CUSTOMER SERVICES-CENTRALIZED TOLL INVESTIGATION- OTHER	\$	A		\$
6623026	*SERVICE COMPANY BILLING - CENTRALIZED TOLL INVEST	\$	N		
6623051	*CUSTOMER SERVICES-COLLECT & REPORT-PAYSTATIONS- SALARIES	\$	N		
6623052	*CUSTOMER SERVICES-COLLECT & REPORT-PAYSTATIONS- BENEFITS	\$	N		
6623054	*CUSTOMER SERVICES-COLLECT & REPORT-PAYSTATIONS- OTHER	\$	N		
6623111	*PROVISIONING-ICSC-SALARIES	\$	B		\$
6623112	*PROVISIONING-ICSC-BENEFITS	\$	B		\$
6623114	*PROVISIONING-ICSC-OTHER	\$	B		\$
6623121	*ACCOUNT MAINTENANCE-ICSC-SALARIES	\$	B		\$
6623122	*ACCOUNT MAINTENANCE-ICSC-BENEFITS	\$	B		\$
6623124	*ACCOUNT MAINTENANCE-ICSC-OTHER	\$	B		\$
6623131	*ACCT INVESTIGATION & COLLECTION-ICSC-SALARIES	\$	B		\$
6623132	*ACCT INVESTIGATION & COLLECTION-ICSC-BENEFITS	\$	B		\$

- Note 1 All cost categories (accounts) were reviewed at the seven digit account level. Only the four digit account level is shown for categories that do not contain avoided expenses.
- Note 2 Cost categories that contain expenses that are classified as both avoided (A) and non avoided (N) are shown with a B symbol.
- Note 3 Fields reflecting the \$ symbol represent an actual amount that is contained in the study.

AVOIDED EXPENSE ANALYSIS

Company: United Telephone - Southeast (Tennessee)
Year: Twelve Months Ending December 1995

Account Number	Account Description	Amount	Avoided / Not Avoided	1	2
				Simple Access	Other
6623134	*ACCT INVESTIGATION & COLLECTION-ICSC-OTHER	\$	B		\$
6623141	*GENERAL STAFF-ICSC-SALARIES	\$	B		\$
6623142	*GENERAL STAFF-ICSC-BENEFITS	\$	B		\$
6623144	*GENERAL STAFF-ICSC-OTHER	\$	B		\$
6623147	*SERVICE COMPANY BILLING-CONDUIT-GENERAL STAFF-ICSC	\$	B		\$
6623151	*GENERAL SUPERVISION-ICSC-SALARIES	\$	B		\$
6623152	*GENERAL SUPERVISION-ICSC-BENEFITS	\$	B		\$
6623154	*GENERAL SUPERVISION-ICSC-OTHER	\$	B		\$
6623161	*CENTRALIZED OPERATIONS GROUP (COG)-ICSC-SALARIES	\$	B		\$
6623162	*CENTRALIZED OPERATIONS GROUP (COG)-ICSC-BENEFITS	\$	B		\$
6623164	*CENTRALIZED OPERATIONS GROUP (COG)-ICSC-OTHER	\$	B		\$
6623171	*EQUAL ACCESS SPOC ACTIVITIES-SALARIES	\$	N		
6623172	*EQUAL ACCESS SPOC ACTIVITIES-BENEFITS	\$	N		
6623174	*EQUAL ACCESS SPOC ACTIVITIES-OTHER	\$	N		
6623175	*EQUAL ACCESS BALLOTING COSTS-ICSC	\$	N		
6623311	*CUSTOMER SERVICES-TELEPHONE SURVEY SYSTEM-SALARIES	\$	A	\$	
6623312	*CUSTOMER SERVICES-TELEPHONE SURVEY SYSTEM-BENEFITS	\$	A	\$	
6623314	*CUSTOMER SERVICES-TELEPHONE SURVEY SYSTEM-OTHER	\$	A	\$	
6623321	*CUSTOMER SERVICES-CENTRALIZED MAIL REMITTANCE-SALARIES	\$	A	\$	\$
6623322	*CUSTOMER SERVICES-CENTRALIZED MAIL REMITTANCE-BENEFITS	\$	A	\$	\$
6623324	*CUSTOMER SERVICES-CENTRALIZED MAIL REMITTANCE-OTHER	\$	A	\$	\$
6623326	*SERVICE COMPANY BILLING - CENTRALIZED MAIL REMIT	\$	N		
6623411	*BUS OFC PROD-INCOMING DEMAND-CONS/SIMPLE BUS-SALARIES	\$	A	\$	\$
6623412	*BUS OFC PROD-INCOMING DEMAND-CONS/SIMPLE BUS-BENEFITS	\$	A	\$	\$
6623414	*BUS OFC PROD-INCOMING DEMAND-CONS/SIMPLE BUS-OTHER	\$	A	\$	\$
6623431	*BUS OFC PROD-INCOMING DEMAND-COMPLEX BUS-SALARIES	\$	A	\$	\$
6623432	*BUS OFC PROD-INCOMING DEMAND-COMPLEX BUS-BENEFITS	\$	A	\$	\$
6623434	*BUS OFC PROD-INCOMING DEMAND-COMPLEX BUS-OTHER	\$	A	\$	\$
6623441	*BUS OFF PROD-COLL-SALARIES	\$	A	\$	\$
6623442	*BUS OFF PROD COLL BENEFITS	\$	A	\$	\$
6623444	*BUS OFF PROD COLL OTHER	\$	A	\$	\$
6623451	*BUS OFF PROD TELLER-SALARIES	\$	A	\$	\$
6623452	*BUS OFF PROD TELLER BENEFITS	\$	A	\$	\$
6623454	*BUS OFF PROD TELLER OTHER	\$	A	\$	\$
6623461	*BUS OFF PROD GEN STAFF SUP SALARIES	\$	N		
6623462	*BUS OFF PROD GEN STAFF SUP BENEFITS	\$	N		
6623464	*BUS OFF PROD GEN STAFF SUP OTHER	\$	N		
6623471	*SERVICES OBSV BUS OFF SALARIES	\$	A	\$	\$
6623472	*SERVICES OBSV BUS OFF BENEFITS	\$	A	\$	\$
6623474	*SERVICES OBSV BUS OFF OTHER	\$	A	\$	\$
6623481	*BUS OFF SUPERVISION SALARIES	\$	A	\$	\$
6623482	*BUS OFF SUPERVISION BENEFITS	\$	A	\$	\$
6623484	*BUS OFF SUPERVISION OTHER	\$	A	\$	\$
6623491	*GEN BUS OFFICE STAFF SALARIES	\$	N		
6623492	*GEN BUS OFFICE STAFF BENEFITS	\$	N		
6623494	*GEN BUS OFFICE STAFF OTHER	\$	N		
6623496	*GENERAL SERVICE & LICENSE-GEN BUS OFFICE STAFF	\$	N		
6623497	*SERVICE COMPANY BILLING-CONDUIT-GEN BUS OFFICE STAFF	\$	N		
6623611	*CUSTOMER SERVICES-REV ACTG-CUST RECORDS & BILLG-SALARY	\$	A	\$	\$
6623612	*CUSTOMER SERVICES-REV ACTG-CUST RECORDS & BILLG-BENEFIT	\$	A	\$	\$

- Note 1 All cost categories (accounts) were reviewed at the seven digit account level. Only the four digit account level is shown for categories that do not contain avoided expenses.
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- Note 3 Fields reflecting the \$ symbol represent an actual amount that is contained in the study.

AVOIDED EXPENSE ANALYSIS

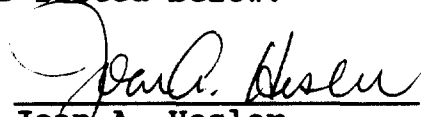
Company: United Telephone - Southeast (Tennessee)
Year: Twelve Months Ending December 1995

Account Number	Account Description	Amount	Avoided / Not Avoided	1	2
				Simple Access	Other
6623614	*REVENUE ACCTG-CMS PROJECT-E/O-OTHER	\$	A	\$	\$
6623615	*CUSTOMER SERVICES-REV ACTG-CUST RECORDS & BILLG- POSTAGE	\$	A	\$	\$
6623616	*SERVICE COMPANY BILLING - CUST RECORDS & BILLING	\$	N		
6623617	*SERVICE COMPANY BILLING-CONDUIT-CUST RECORDS & BILLING	\$	N		
6623621	*REVENUE ACCOUNTING-MPS PROJECT-E/O	\$	N		
6623622	*REVENUE ACCTG-MPS PROJ-E/O-BENEFITS	\$	N		
6623624	*CUSTOMER SERVICES-REV ACTG-TOLL PROCESS & CONTROL- OTHER	\$	N		
6623626	*SERVICE COMPANY BILLING - TOLL PROC & CONTROL	\$	N		
6623627	*SERVICE COMPANY BILLING-CONDUIT-TOLL PROC & CONTROL	\$	N		
6623631	*REVENUE ACCOUNTING-CABS PROJECT-E/O	\$	B		\$
6623632	*REVENUE ACCTG-CABS PROJ-E/O BENEFITS	\$	B		\$
6623634	*REVENUE ACCTG-CABS PROJ-CABS OTHER	\$	B		\$
6623636	*SERVICE COMPANY BILLING - CARRIER ACCESS BILLING	\$	N		
6623641	*CUSTOMER SERVICES-REV ACTG-MISC CUSTOMER BILLG- SALARIES	\$	A		\$
6623642	*CUSTOMER SERVICES-REV ACTG-MISC CUSTOMER BILLG- BENEFITS	\$	A		\$
6623644	*CUSTOMER SERVICES-REV ACTG-MISC CUSTOMER BILLG- OTHER	\$	A		\$
6623654	*REV ACCTG EXP-LINK-UP DISCOUNTS-INTER	\$	N		
6623699	*CUSTOMER SERVICES-ALLOCATED	\$	N		
6623720	*CUSTOMER SERVICES-PAYSTATION COMMISSN-INTERSTATE TOLLS	\$	N		
6623730	*CUSTOMER SERVICES-PAYSTATION COMMISSN-INTRASTATE TOLLS	\$	N		
6623740	*CUSTOMER SERVICES-PAYSTATION COMMISSN-LOCAL CALL REV	\$	N		
6623790	*CUSTOMER SERVICES-MISC COMMON CARRIER COMMISSIONS	\$	N		
6623800	*PAYSTATION SHORTAGES	\$	N		
6623988	*CUSTOMER SERVICE - INTEGRATION COST	\$	N		
6711	*EXECUTIVE	\$	N		
6712	*PLANNING	\$	N		
6721	*ACCOUNTING & FINANCE	\$	N		
6722	*EXTERNAL RELATIONS	\$	N		
6722121	*EXTERNAL RELATIONS-INFO SVC ADV-BILL INSERTS-SAL-REG	\$	A	\$	\$
6722124	*EXTERNAL RELATIONS-INFO SVC ADV-BILL INSERTS-OTH-REG	\$	A	\$	\$
6723	*HUMAN RESOURCES	\$	N		
6724	*INFO. MANAGE.	\$	N		
6725	*LEGAL	\$	N		
6726	*PROCUREMENT	\$	N		
6727	*RESEARCH AND DEVELOPMENT	\$	N		
6728	*OTHER GENERAL & ADMINISTRATIVE	\$	N		
5301000	UNCOLLECTIBLE REVENUE	\$	N		

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- Note 3 Fields reflecting the \$ symbol represent an actual amount that is contained in the study.

CERTIFICATE OF SERVICE

I, Joan A. Hesler, hereby certify that on this 16th day of May, 1996, a true copy of the COMMENTS OF SPRINT CORPORATION was hand delivered, upon each of the parties listed below.


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